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IN THE HIGH COURT OF JUDICATURE AT MADRAS

DATED: 1.2.2006

CORAM

THE HON'BLE MR.JUSTICE P.D.DINAKARAN
AND
THE HON'BLE MR.JUSTICE P.P.S.JANARTHANA RAJA

T.C.(A).No.57 of 2006

Commissioner of Income Tax-I
Chennai. .. Appellant

Vs.

M/s. Chennai Petroleum Corpn. Ltd.
Refinery House, Manali
Chennai 600 068. .. Respondent

Appeal under Section 260A of the Income Tax Act, 1961 against the order of the Income Tax Appellate Tribunal, Madras 'A' Bench dated 13.11.2003 in ITA No.22/Mds/1997 for the assessment year 1993-94 against the order of the Commissioner of Income Tax (Appeals) VII, Madras-34 in IT.Appeal No.51/96-97 dated 6.9.96 against the order of Deputy Commissioner of Income Tax Special Range VII, Madras-34 dated 25.3.1996 PAN/GIR.NO.47-003-CX-1137 for the Assessment Year 1993-94.

For Appellant : Mr.T.Ravi Kumar

J U D G M E N T

(Delivered by P.D.DINAKARAN, J.)

The above tax case appeal is directed against the order of the Income-tax Appellate Tribunal in ITA No.22/Mds/1997 dated 13.11.2003.

2. The Revenue is the appellant. During the previous year relevant to the assessment year 1993-94, the assessee's claim with respect to social and welfare community expenses was disallowed by the assessing officer. Aggrieved by the said order, the assessee filed an appeal before the Commissioner of Income-tax (Appeals), who allowed the appeal deleting the disallowance. Against the said order, the revenue preferred an appeal before the Income Tax Appellate Tribunal, which dismissed the appeal.

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3. Aggrieved by the same, the Revenue has preferred this appeal raising the following substantial question of law:

> "Whether in the facts and circumstances of the case, the Tribunal was right in holding that the social and welfare community expenses amounting to Rs.15,32,000/- is an allowable as business expenditure under section 37(1) of the IT Act?"

4. It is fairly submitted by the learned counsel appearing for the appellant that the issue raised in the question is covered against the Revenue by the decision of this Court in COMMISSIONER OF INCOME TAX v. MADRAS REFINERIES LTD. (266 ITR 170) and CHERAN ENGINEERING CORPORATION LTD. v. COMMISSIONER OF INCOME-TAX (238 ITR 892).

5. This Court, in COMMISSIONER OF INCOME TAX v. MADRAS REFINERIES LTD. (266 ITR 170), held that the expenses incurred to earn goodwill of local community is deductible as business expenditure.

6. In CHERAN ENGINEERING CORPORATION LTD. v. COMMISSIONER OF INCOME-TAX (238 ITR 892) also, this Court has held that the amounts transferred to labour welfare fund and paid to workers for rendering strike free services are labour welfare expenditure and the said expenses are incurred for the purpose of business and therefore, they are deductible as business expenditure.

7. In view of the ratio laid down in the decisions cited supra, we hold that the social and welfare community expenses are deductible as business expenditure.

We are, therefore, of the view that there is no error or illegality in the order of the Tribunal and therefore, no interference is warranted. Finding no merit to entertain the above appeal, the same is dismissed.

kpl

Sd/
Asst.Registrar

/true copy/

Sub Asst.Registrar

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To

1.The Assistant Registrar, Income Tax Appellant Tribunal III Floor, Rajaji Bhavan, Besant Nagar, Madras-90.

2.The Commissioner of Income Tax (Appeals)VII, Madras-34.

3.The Deputy Commissioner of Income Tax, Special Range VII, Madras-34.

4.The Commissioner of Income Tax I, Chennai.

+ one cc to Mr.Pushya Sitaraman, Sr.Standing Counsel, I.T.Department, Sr.No.4353.

Vs (CO)
RSM/27.2.2006

T.C.(A) No.57 of 2006.

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